King IV™ application report 2019

MultiChoice
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MultiChoice South Africa Holdings Proprietary Limited

KING IV™ APPLICATION REPORT 2019

Below is a summary of how MultiChoice South Africa Holdings Limited (MultiChoice South Africa) and its subsidiaries (collectively the group) have applied the principles set out in the King IV Report on Corporate Governance™[1] in South Africa 2016 (King IV) during the 2019 financial year.

MultiChoice South Africa King IV™ application report	Internal policy, document or process reference
PRINCIPLE 1: The governing body should lead ethically and effectively. The directors, overseen by the chair, hold each other accountable for decision-making and ethical behaviour. They individually and collectively demonstrate integrity, competence, responsibility, accountability, fairness and transparency to provide effective leadership, which, together with management, assists in achieving strategic objectives. The induction of new directors and ongoing training of directors ensure that directors have the necessary knowledge and competence to fulfil their duties. Adequate information is provided in the board and committee papers. Regular progress reports are provided to board members for the individual business units and on new trends. The group company secretary and MultiChoice Group Limited (MCG) general counsel provide professional and independent guidance to the board collectively, and each director individually, on their duties and responsibilities, and draw their attention to relevant legislation and regulations. The board will ensure proper disclosure of how it exercises its governance role. The board and its committees monitor financial, environmental, social and governance matters, as well as risks and opportunities.	Applicable policies and governance elements: ▷ Code of business ethics and conduct ▷ Induction policy for new directors and summary of duties and liabilities of directors (MultiChoice board governance portal) ▷ Board charter

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PRINCIPLE 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. The board sets the tone at the top and is responsible for the monitoring and governance of the ethics of the group that it results in the outcomes envisaged by King IV, which is detailed in its charter. The group's values, code of business ethics and conduct (the code) and related policies encompass its interaction with internal and external stakeholders and broader society. The group conducts its business dealings on the basis of compliance with applicable laws, and proper regard for ethical business practices. Management teams across the group understand and apply the code and create and maintain awareness of the code and whistleblower policy. Reference to the code is included in the contracts of new employees of major subsidiaries, and in the induction process for new employees. The code applies to recruitment, performance evaluation and reward processes. Management teams are required to monitor adherence to the code and apply a zero-tolerance policy to violations. Sanctions are in place and the necessary action is taken, which includes prosecuting to the fullest extent of the law when appropriate. Reference to our ethical values is included in third-party procurement contracts. Contractors, agents and consultants who work with any group company are expected to follow the same standards of business conduct. Group companies may require specific steps to be taken, including, where appropriate, due diligence checks and specific contractual terms for certain types of contractors, agents and consultants. The risk management function monitors the group's whistleblower facility operated by Deloitte's Tip-offs Anonymous. Reported matters are investigated either internally or externally by forensic specialists as appropriate. Significant allegations and fraud are reported to the audit and risk committees. MultiChoice South Africa has delegated the responsibilities of a social and ethics committee to the MCG social and ethics committee who periodically report back on their activities to the MultiChoice South Africa board.The MultiChoice Group Limited (MCG) social and ethics committee receives reports on whistleblower activity and ethics. Internal audit and the risk function annually provide the MCG social and ethics committee and remuneration committee with an assessment of the group's ethics performance.	Applicable policies and governance elements: ▷ MultiChoice Group code of business ethics and conduct ▷ Whistleblower policy ▷ MyAcademy training on code of business ethics and conduct, and whistleblowing ▷ Board charter

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PRINCIPLE 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen. The board, assisted by the MCG social and ethics committee, ensures that the group is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the group, but also the impact that business operations have on the environment and the society within which it operates. The group's sustainable development policy includes the responsibility for corporate citizenship and that the group's purpose, values and strategy are aligned with the principles of responsible corporate citizenship. The group's businesses manage numerous corporate citizenship initiatives affecting the workplace, economy, society and environment, including: broad-based black economic empowerment (BBBEE) and employment equity performance, employment, health and safety laws; employee development opportunities; responsible tax policy; anti-fraud, anti-bribery and anti-corruption initiatives; initiatives to minimise the impact on the environment; and corporate social investment initiatives contribute to the societies in which our businesses operate.	Applicable policies and governance elements: ▷ Legal compliance policy and programme ▷ Anti-bribery and anti-corruption policy ▷ Competition compliance policy ▷ Sanctions and export controls policy ▷ Sustainable development policy ▷ Code of business ethics and conduct ▷ Group's good governance guidelines ▷ Board charter
PRINCIPLE 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process. The group's ability to create value in a sustainable manner is illustrated throughout its business model. The board is responsible for MultiChoice's performance by steering and providing strategic direction and overseeing the adoption of strategy and plans (which originate from management). Annually, the board approves the strategy, objectives and business plans for the ensuing financial year. Management is responsible to implement the plans and is incentivised to do so through annual performance-related incentives linked to the group's objectives and strategy. In approving the strategy, the board takes into account sustainability aspects in long-term planning, risks and opportunities, and legitimate and reasonable interests of material stakeholders. The business plan covers short-, medium- and longer-term aspects such as investing in technologies of the future. The business plan is a bottom-up/top-down inclusive process. It focuses on the sustainability of the businesses, taking account of changing economic, competitive, technological and other market conditions. The board oversees implementation of the strategy and business plan by management against agreed performance measures and targets. Performance is monitored via regular financial updates, business segment progress reports and presentations at board meetings. Risk management, including implementation of controls, is an integral part of the business. In its deliberations the board, assisted by its committees, considers the overall sustainability of the group from a 'people, profit and planet' perspective.	Applicable policies and governance elements: ▷ Sustainable development policy ▷ Board charter ▷ Business plan and budget

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PRINCIPLE 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of its performance, and its short-, medium- and long-term prospects. The chairs of the board's committees are required to report to the board at each scheduled board meeting, keeping the board apprised of developments in terms of their mandates. The group's integrated annual report will contain an assessment of its performance, measured against its objectives. The audit committee, and ultimately the board, is responsible for overseeing reporting (including the audit and integrated report processes) and approving management's determination of reporting frameworks and basis for determining materiality. International Financial Reporting Standards (IFRS) will be used for financial reporting purposes, and the international integrated reporting framework, as endorsed by King IV, will be used in the preparation of the integrated annual report. To assist the board in ensuring the integrity of the integrated annual report, the audit committee reviews this report prior to making a recommendation to the board for approval. The group's external auditor, PricewaterhouseCoopers Inc. (PwC), audits or reviews, as appropriate, external financial reporting and material non-financial information included in the integrated annual report. BBBEE scorecards are issued by EmpowerLogic.	Applicable policies and governance elements: ▷ Board charter ▷ Audit committee charter
PRINCIPLE 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation. The board is the focal point and custodian of corporate governance and exercises its leadership and oversight role by annually approving the strategy and the business plan and overseeing implementation. Its role, responsibilities, membership requirements and procedural conduct are documented and set out in the board charter which it regularly reviews to guide its effective functioning. Further aspects of governance are addressed with greater impetus through the established board committees, namely, the audit, risk and remuneration committees. All board policies, and the board and committee charters are reviewed annually. Accountability for the group's performance is ensured by its financial reporting and integrated annual report, together with disclosure information to be found on the corporate website. Board-approved policies set out the processes to be followed for: ▷ any of its members or committees to obtain independent, external professional advice at the cost of the group on matters within the scope of their duties, and ▷ its non-executive members who requisition documentation from, and set meetings with, management.	Applicable policies and governance elements: ▷ Board charter ▷ Audit committee charter ▷ Obtaining independent professional advice policy ▷ Directors' rights to access information policy

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PRINCIPLE 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. On at least an annual basis, the board and its committees must consider their compositions in terms of balance of skills, experience, diversity, independence and knowledge and whether these enable them to effectively discharge their roles and responsibilities as per the board diversity policy. The composition of the board (including board member rotation), in accordance with the board charter, is reviewed annually by the remuneration and equity committee, which makes recommendations to the board. Composition is considered holistically, taking into account all aspects of diversity (including gender and race) in terms of its diversity policy, and capitalising on differences in the skills, geographical and industry experience of its members. The chief executive officer (CEO) and chief financial officer (CFO) are board members. The board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. Through the annual self-assessment of the board and its committees, the knowledge and skills set will be evaluated and improved where required. Furthermore, where necessary, subject matter experts are available for matters requiring specialised guidance. An executive chair has been appointed. The executive chair has valuable group, industry and regulatory intellectual capital and know-how to ensure the future development and progression of the business. In the event of the chair being unable to perform his duties or being conflicted, the lead independent director takes over as an interim measure until a new candidate has been determined or the chair is able to resume his responsibilities. In the annual review of board and committee composition, succession planning, including upcoming retirements, are considered and, where appropriate, new appointees are identified. All aspects of diversity are considered in succession planning, while training requirements are considered in developing executive and non-executive directors. The nomination, election and appointment processes are formal and transparent, and include a fit-and-proper test. Formal terms of appointment are in place for each non-executive director. The remuneration committee and board evaluate the categories of directors annually, categorising directors as executive, non-executive and/or independent. The independence of non-executive directors serving for longer than nine years will require formal assessment annually.	Applicable policies and governance elements: ▷ Board charter ▷ Remuneration committee charter ▷ Board diversity policy ▷ Appointment of new directors' policy ▷ Induction for new directors' policy ▷ E-learning training on directors' duties and corporate governance

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PRINCIPLE 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties. The board and its standing executive, audit, risk and remuneration committees fulfil key roles in ensuring good corporate governance in line with King IV. There is a clear balance of power to ensure that no individual has undue decision-making powers. Charters are approved by the board for all committees and are to be reviewed annually. Committee charters deal with composition, roles and responsibilities, delegated authority, meeting procedures, right to obtain professional advice and performance evaluation arrangements. All committee members are board members. This is in line with the requirements of the Companies Act. Committees report to the board at each scheduled board meeting. There is overlapping membership between all committees for more effective functioning. Delegating responsibilities does not discharge the board's accountability, and the board's collective mind is applied to information, opinions, recommendations, reports and statements presented to it. Members of the executive and senior management are invited to committee meetings to provide information and insights in their areas of responsibility. Any board member is entitled to attend any committee meeting as an observer, subject to agreement by the chair of that committee. However, they do not have a vote and are not entitled to fees for attendance. The audit committee has the power to make decisions on its statutory duties, and is accountable for its performance in this regard. The board is ultimately accountable for other responsibilities delegated to the audit committee. The external audit partner and head of internal audit have unrestricted access to the chair of the audit committee. The audit committee members meet separately with auditors twice a year. Committee-related disclosures required by King IV will be made in the integrated annual report, including that it is satisfied that the external auditor is independent.	Applicable policies and governance elements: ▷ Board charter ▷ Committee charters
PRINCIPLE 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness. The board and all committees' charters include the onus of annual assessments. Assessments of the performance by the board, its committees and the company secretary will be conducted every second year. However, performance in general will be considered every year as part of the review of the composition of the board and its committees. The lead independent director will head the evaluation of the chair.	Applicable policies and governance elements: ▷ Board charter ▷ Remuneration committee charter

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PRINCIPLE 10: The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities. The board is satisfied that the company is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised. The board approves the appointment of the CEO and the CFO. The remuneration committee is required to consider the performance of the CEO and CFO annually against agreed performance incentive objectives. The audit committee is required to consider the performance of the CFO and the finance function and will report thereon in its report included in the integrated annual report. The board approves the group levels of authority annually, which include delegated authorities to the group CEO. The board evaluates the overall performance of the CEO and CFO. The integrated annual report will disclose performance measures for the CEO, CFO and chief investment officer (CIO). Executive directors are also assessed in their capacity as directors as part of the annual individual directors' evaluation process. Succession plans, including interim appointees, for the CEO and senior executives are reviewed annually by the remuneration committee. The board appoints the fulltime company secretary. The office of the company secretary is empowered and carries the necessary authority. The company secretary has the necessary competence, gravitas and objectivity to provide independent guidance and support. The company secretary reports to the chair on all statutory duties and functions performed for the board. On other duties and administrative matters, the company secretary reports to the group's CFO. The performance and independence of the company secretary is evaluated annually by the MCG remuneration and nomination committees and the MultiChoice South Africa board.	Applicable policies and governance elements: ▷ Board charter ▷ Group levels of authority ▷ Remuneration committee charter

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PRINCIPLE 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives. The board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the business. Accordingly, risks are identified and managed within acceptable parameters. The board approves the risk management policy, which is reviewed annually. Responsibility for managing risks and opportunities is shared by all the group's decision-makers, from the group's board to group business unit heads through to other management with delegated responsibilities. Opportunities are identified and reported through various governance structures as part of the oversight process. Risks and opportunities are considered in setting strategy and discussing the annual business plan and budget. Executive management is responsible for identifying, managing and reporting risk. Mitigating controls are in place to address these risks that are monitored on a continuous basis. The group's risk framework, register and heatmap drive the reporting process to ensure key objectives are identified and associated risks are considered, assessed and reported. The board treats risk as integral to its decisions and in executing its duties, and evaluates and determines the nature and extent of risk the group is willing to take in pursuing its strategic objectives. In strategic decisions, the group rigorously and regularly assesses risks and opportunities. A robust process is followed in evaluating new opportunities. The risk committee assists the board in its risk oversight role while the MCG social and ethics committee assists the board in overseeing the six capitals from a social and ethics perspective. The risk register reported to the risk committee details mitigating management actions as appropriate in response to risks. Business continuity is considered a key risk in the group and is managed accordingly. Internal audit provides assurance annually on the effectiveness of the risk management processes across the group.	Applicable policies and governance elements: ▷ Board charter ▷ Risk committee charter ▷ Risk management policy

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PRINCIPLE 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. The group's CIO oversees information and technology (I&T) management in the group. The board is aware of the importance of I&T in relation to the group's strategy. The board approves and annually reviews the I&T governance charter and security policy. I&T governance is integrated in the operations of the group businesses. Management of each subsidiary or business unit is responsible for ensuring effective processes on I&T governance are in place. The risk committee assists the board with overseeing I&T-related matters. I&T governance will be a standing point on the risk committee agenda. I&T objectives have been included in the risk committee charter. The risk committee considers the risk register, as well as reports on I&T from the risk function and where relevant, the legal compliance function. Compliance with relevant laws and ethical and responsible use of I&T are addressed through the group's code of business ethics and conduct, the legal compliance and data governance programmes. Data governance is a high priority. Assurance to management, the audit committee and board on the effectiveness of I&T governance, based on detailed controls to manage identified risks and reduce vulnerability is provided in terms of the combined assurance model. The MCG social and ethics committee oversees I&T from an ethics perspective. These arrangements for governing and managing I&T enable the risk committee, and ultimately the board, to oversee the group's I&T governance.	Applicable policies and governance elements: ▷ Board charter ▷ Risk committee charter ▷ Risk management policy ▷ I&T charter ▷ Data-privacy programme and policies ▷ Code of business ethics and conduct ▷ Legal compliance policy and framework
PRINCIPLE 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen. The group has a legal compliance programme that is led by the head of legal compliance and the legal compliance team with support from external consultants. Assurance on the effectiveness of legal compliance management is received through a combined assurance model. Each business unit is required to provide a quarterly legal compliance report to the head of legal compliance. This report includes an overview of key compliance risk areas and mitigating measures, key compliance regulatory developments and material compliance incidents and investigations. The group legal compliance function uses these reports to compile a consolidated report that is reviewed by the head of legal compliance and is subsequently provided to the risk committee. These arrangements enable the risk committee, and the board, to oversee the group's legal compliance holistically in a way that supports the group in being an ethical and good corporate citizen.	Applicable policies and governance elements: ▷ Board charter ▷ Risk committee charter ▷ Legal and compliance policy ▷ Anti-bribery and anti-corruption policy ▷ Competition compliance policy ▷ Sanctions and export controls policy ▷ Legal compliance framework ▷ Data-privacy policy and programme

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PRINCIPLE 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The board, assisted by the human resources and remuneration committee, ensures that staff is remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner. The board approves and is required to review the remuneration policy annually. The remuneration policy is designed to attract, motivate, reward and retain employees, as well as to promote the achievement of strategic objectives within the group's risk appetite and ethical culture. The policy addresses fair and responsible organisationwide remuneration and sets out all elements of remuneration. The remuneration policy is aligned with King IV's recommendations and approved by the board. The remuneration policy will be made available on the corporate website. Remuneration will be disclosed in a three-part report included in the integrated report: background statement, overview of main provisions of the remuneration policy and an implementation report. Fees for non-executive directors for their services are submitted for approval by shareholders (by way of a special resolution) within the two years preceding payment, as required by the Companies Act. The remuneration policy and implementation report will be tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting.	Applicable policies and governance elements: ▷ Remuneration policy ▷ Board charter ▷ Remuneration committee charter ▷ Risk management policy ▷ Code of business ethics and conduct ▷ Sustainable development policy
PRINCIPLE 15: The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports. The board will provide assurance regarding the integrated annual report and annual financial statements in its statement of responsibility included in the integrated annual report. The audit committee and the board oversee that assurance services and functions enable an effective control environment and support the integrity of information for internal decision-making and the group's external reports. Assurance provider reports, including internal audit reports, on the internal control environment are provided to the audit committee. The group follows a combined assurance model, which covers key risks through an appropriate combination of assurance service providers and functions, including line functions that own and manage risks, specialist risk and compliance functions and specialist internal audit functions (for the group and significant businesses), as well as external auditors and other relevant parties, such as regulatory inspectors. This model is linked to key risks and an assessment of combined assurance effectiveness is reported to the audit and risk committees. The company secretary, group general counsel and external counsel guide the board on legal requirements. The head of internal audit is appointed by the audit committee. The head of internal audit has unrestricted access to and periodically meets with the chair of this committee.	Applicable policies and governance elements: ▷ Board charter ▷ Audit committee charter ▷ Internal audit charter

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PRINCIPLE 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. Stakeholder engagement is decentralised and managed by the communications, investor relations, corporate secretariat, legal and human resources teams and spokespersons in various group businesses. The board considers stakeholders in decisions and the company is not steered in a direction to adversely affect the natural environment, society or future generations. Managing stakeholder risk is an integral part of groupwide risk management. The group will report on all its stakeholders and how it manages stakeholder relationships in the integrated annual report. The good governance guidelines and the annual CEO/CFO sign-off process regulate the group governance framework.	Applicable policies and governance elements: ▷ Board charter ▷ All board and committee charters and group policies, including communications and investor relations policies ▷ Adopted good corporate governance guidelines and the annual CEO/CFO sign-off process

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